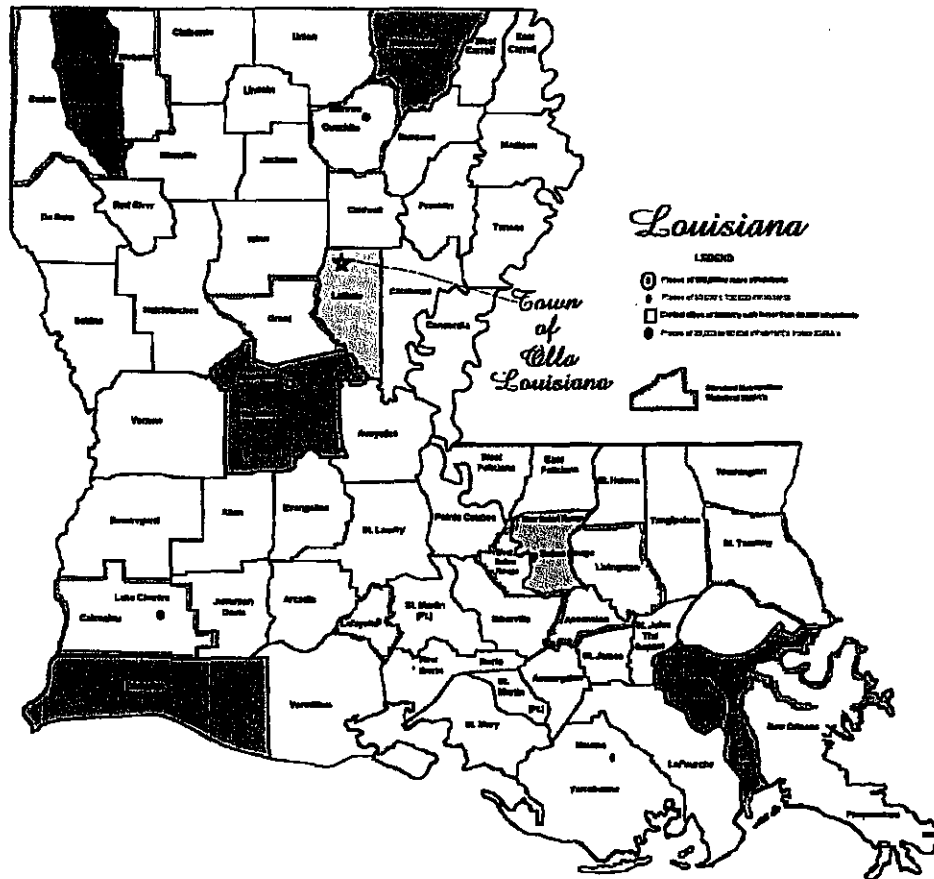


TOWN OF OLLA, LOUISIANA**Annual Financial Statements****JUNE 30, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12/28/05

TOWN OF OLLA, LOUISIANA



The Town of Olla was incorporated under the Lawrason Act in August of 1899. The Town operates under the Mayor-Board of Alderman form of government. The Town provides the following significant services to its residents as provided by its charter: public safety (police and fire), highways and streets, sanitation, utilities (water and sewer services)/ and general administrative functions, including coordination of related services with Parish, State and Federal governing bodies.

TOWN OF OLLA, LOUISIANA
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TOWN OF OLLA

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MANAGEMENTS DISCUSSION AND ANALYSIS

As management of the Town, we offer readers of the Town of Olla's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the Town's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Governmental Funds

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$965,684 (*net assets*). This is a \$165,500 decrease from last year.
- The Town had total revenue of \$753,956, in which \$153,549 came from grants. This is a \$154,194 increase from last year's revenues, mainly due to an increase in grants.
- The Town had total expenditures of \$888,404, which is a \$175,889 increase from last year.

Enterprise Funds

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$1,053,853 (*net assets*). This is a \$77,476 decrease from last year.
- The Town had total revenue of \$447,648, including operating revenues of \$442,448 and non-operating revenues of \$5,200. This is a \$12,361 decrease from last year.
- The Town had total expenses of \$540,448, in which \$505,257 was operating expenses and \$35,191 was non-operating expenses. This is a \$8,566 decrease from last year.

MD&A

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Town is a special-purpose entity engaged only in governmental activities. Accordingly, only fund financial statements are presented as the basic financial statements.

Effective, January 1, 2004, the Town adopted Governmental Accounting Standards (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

USING THIS ANNUAL REPORT

The Town's annual report consists of financial statements that show information about the Town's funds, enterprise funds and governmental funds.

Our auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Reporting the Town's Most Significant Funds

The Town's financial statements provide detailed information about the most significant funds. The Town may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other money. The Town's enterprise fund uses the following accounting approach:

All of the Town's services are reported in an enterprise fund. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of proprietary funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

MD&A

Comparative Statement of Net Assets Governmental Funds

The following table represents a condensed Comparative Statement of Net Assets as of June 30, 2004 and 2005:

	2004	2005	% Change
Assets			
Cash & Investments	\$ 347,553	\$ 190,778	-45%
Receivables	12,853	17,110	33%
Capital Assets, Net of Accumulated Depreciation	893,197	862,414	-3%
Total Assets	<u>1,253,603</u>	<u>1,070,302</u>	<u>-15%</u>
Liabilities & Net Assets			
Accounts, Salaries, & Other Payables	14,030	16,003	14%
Other Liabilities	3,496	-0-	100%
Bonds Payable	104,893	88,615	-16%
Total Liabilities	<u>122,419</u>	<u>104,618</u>	<u>-16%</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	784,808	773,799	-1%
Restricted For Debt Service	-0-	-0-	0%
Unrestricted	346,376	191,885	-45%
Total Net Assets	<u>1,131,184</u>	<u>965,684</u>	<u>-14%</u>
Total Liabilities & Net Assets	<u>\$ 1,253,603</u>	<u>\$ 1,070,302</u>	<u>-15%</u>

Comparative Statement of Net Assets Enterprise Funds

The following table represents a condensed Comparative Statement of Net Assets as of June 30, 2004 and 2005:

	2004	2005	% Change
Assets			
Cash & Investments	\$ 43,207	\$ 83,251	93%
Receivables	35,006	41,747	19%
Restricted Assets	339,768	256,036	-25%
Capital Assets, Net of Accumulated Depreciation	1,456,230	1,385,817	-5%
Total Assets	<u>1,874,211</u>	<u>1,766,851</u>	<u>-6%</u>
Liabilities and Net Assets			
Accounts, Salaries, & Other Payables	13,395	4,478	-67%
Other Liabilities	34,920	39,021	12%
Bonds Payable	694,567	669,499	4%
Total Liabilities	<u>742,882</u>	<u>712,998</u>	<u>-4%</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	772,593	745,307	-4%
Restricted For Debt Service	163,816	214,240	31%
Unrestricted	194,920	94,306	-52%
Total Net Assets	<u>1,131,329</u>	<u>1,053,853</u>	<u>-7%</u>
Total Liabilities and Net Assets	<u>\$ 1,874,211</u>	<u>\$ 1,766,851</u>	<u>-6%</u>

MD&A

Comparative Changes in Fund Balances Governmental Funds

The following table reflects the condensed Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances for the year ended June 30, 2004 and 2005:

	2004	2005	% Change
Total Revenues	\$ 599,762	\$ 753,956	25
Total Expenditures	(712,515)	(888,404)	25
Total Transfers In (Out)	4,299	(15,324)	-456
Increase (Decrease) in Fund Balances	(108,454)	(149,772)	38
Ending Fund Balances	\$ 346,376	\$ 191,885	-45

Comparative Changes in Net Assets Enterprise Funds

The following table reflects the condensed Comparative Statement of Revenues, Expenses, and Changes in Net Assets for the year ended June 30, 2004 and 2005:

	2004	2005	% Change
Operating Revenues	\$ 428,332	\$ 442,448	3%
Non-Operating Revenues	31,677	5,200	-84%
Total Revenues	460,009	447,648	-3%
Operating Expenses	511,185	505,257	-1%
Non-Operating Expenses	37,829	35,191	-7%
Total Expenses	549,014	540,448	-2%
Transfers In (Out)	(4,299)	15,324	456%
Increase (Decrease) in Net Assets	(93,304)	(77,476)	17%
Ending Net Assets	\$ 1,131,329	\$ 1,053,853	-7%

MD&A

CAPITAL ASSETS

Capital Assets – Governmental Fund

At June 30, 2005, the Town had \$1,634,223 invested in capital assets, including land, buildings, improvement, and equipment.

Capital Assets at Year-End	
Land	\$ 222,788
Building	425,779
Improvements	56,463
Equipment	929,193
Accumulated Depreciation	(771,809)
Total	<u>\$ 862,414</u>

Capital Assets – Enterprise Fund

At June 30, 2005, the Town had \$3,357,628 invested in capital assets, including the buildings, sewer system, machinery, and equipment.

Capital Assets at Year-End	
Buildings	\$ 26,816
Sewer System	1,822,673
Water System	1,159,977
Equipment	348,162
Accumulated Depreciation	(1,971,811)
Total	<u>\$ 1,385,817</u>

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show that the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact Mayor Benard Miller at the Town Hall, phone number (318) 495-5151.

JOHN R. VERCHER PC
Certified Public Accountant

P.O. Box 1608
Jena, Louisiana 71342
Tel: (318) 992-6348
Fax: (318) 992-4374

INDEPENDENT AUDITOR'S REPORT

The Honorable Bernard Miller, Mayor
& Members of the Town Council
Olla, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of Town of Olla, Louisiana, as of and for the year ended June 30, 2005 which collectively comprise the Town's financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Olla, Louisiana's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the aggregate remaining fund information of Town of Olla, Louisiana, as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 15, 2005, on my consideration of the Town of Olla, Louisiana's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

John R. Vercher

November 15, 2005
Jena, Louisiana

BASIC FINANCIAL STATEMENTS

TOWN OF OLLA, LOUISIANA
Statement of Net Assets
June 30, 2005

	PRIMARY GOVERNMENT			Component Unit Cemetery Board
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash & Cash Equivalents	\$ 71,632	\$ 29,974	\$ 101,606	\$ 13,772
Investments	119,146	53,277	172,423	193,709
Receivables (Net of Allowances for Uncollectable)	17,110	41,747	58,857	-0-
Due From Other Funds	-0-	-0-	-0-	-0-
Restricted Assets	-0-	256,036	256,036	-0-
Capital Assets	862,414	1,385,817	2,248,231	-0-
TOTAL ASSETS	<u>1,070,302</u>	<u>1,766,851</u>	<u>2,837,153</u>	<u>207,481</u>
LIABILITIES				
Accounts, Salaries, & Other Payables	16,003	4,478	20,481	-0-
Other Liabilities	-0-	39,021	39,021	-0-
Bonds & Notes Payable	88,615	669,499	758,114	-0-
TOTAL LIABILITIES	<u>104,618</u>	<u>712,998</u>	<u>817,616</u>	<u>-0-</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	773,799	745,307	1,519,106	-0-
Restricted for Debt Service	-0-	214,240	214,240	-0-
Unrestricted	191,885	94,306	286,191	207,481
TOTAL NET ASSETS	<u>\$ 965,684</u>	<u>\$ 1,053,853</u>	<u>\$ 2,019,537</u>	<u>\$ 207,481</u>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Statement of Activities
For the Year Ended June 30, 2005

	Program Revenues			Net (Expense) Revenue & Changes			Component Unit
	Expenses	Charges For Services	Operating Grants & Contributions	Net (Expense) Revenue	Governmental Activities	Business-Type Activities	
Governmental Activities							
General Government	\$ 378,860	\$ 3,194	\$ 111,316	\$ (264,350)	\$ (264,350)	\$ (3,735)	
Public Safety							
Police	273,186	30,160	4,460	(238,566)	(238,566)	-0-	-0-
Fire	83,129	66,322	37,773	20,966	20,966	-0-	-0-
Public Works							
Streets & Sanitation	120,896	109,450	-0-	(11,446)	(11,446)	-0-	-0-
Town Planner	31,696	-0-	-0-	(31,696)	(31,696)	-0-	-0-
Dixie Center	12,153	3,832	-0-	(8,321)	(8,321)	-0-	-0-
Interest on Long-Term Debt	4,213	-0-	-0-	(4,213)	(4,213)	-0-	-0-
Total Governmental Activities	<u>904,133</u>	<u>212,958</u>	<u>153,549</u>	<u>(537,626)</u>	<u>(537,626)</u>	<u>(3,735)</u>	
Business-type Activities							
Water & Sewer	540,448	277,704	-0-	(262,744)	(262,744)		
Total Business-Type Activities	<u>540,448</u>	<u>277,704</u>	<u>-0-</u>	<u>(262,744)</u>	<u>(262,744)</u>		
Total Primary Government	<u>\$ 1,444,581</u>	<u>\$ 490,662</u>	<u>\$ 153,549</u>	<u>\$ (800,370)</u>			
General Revenues:							
Fines & Penalties					165,818	-0-	-0-
Taxes					34,527	-0-	-0-
Donations					42,915	153,080	2,768
Fees					36,800	-0-	-0-
Reimbursements & Insurance					73,654	-0-	-0-
Licenses & Permits					27,554	-0-	-0-
Investment Earnings					4,169	5,200	6,834
Other General Revenues					2,013	11,664	1,380
Transfers In/(Out)					(15,324)	15,324	-0-
Total General Revenues & Transfers					<u>372,126</u>	<u>185,268</u>	<u>10,982</u>
Change in Net Assets					(165,500)	(77,476)	7,247
Net Assets-Beginning					1,131,184	1,131,329	200,234
Net Assets-Ending					<u>\$ 965,684</u>	<u>\$ 1,053,853</u>	<u>\$ 207,481</u>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Balance Sheet, Governmental Funds
June 30, 2005

	<u>General Fund</u>
ASSETS	
Cash & Cash Equivalents	\$ 71,632
Investments	119,146
Receivables (Net of Allowances for Uncollectable)	<u>17,110</u>
TOTAL ASSETS	<u>207,888</u>
 LIABILITIES & FUND BALANCES	
LIABILITIES	
Accounts, Salaries, & Other Payables	<u>16,003</u>
TOTAL LIABILITIES	<u>16,003</u>
 FUND BALANCES	
Reserved for Debt Service	-0-
Unreserved, Reported In General Fund	<u>191,885</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 207,888</u>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Reconciliation of The Government Funds Balance Sheet
to the Government-Wide Financial Statement of Net Assets
June 30, 2005

Statement D

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund Balance, Total Governmental Funds (Statement C)			\$	191,885
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	Capital Assets	1,634,223		
	Accum. Depr.	<u>(771,809)</u>		
				862,414
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.				
Other				<u>(88,615)</u>
Net Assets of Governmental Activities (Statement A)			\$	<u>965,684</u>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	<u>General</u>
REVENUES	
Fees & Charges	\$ 289,919
Taxes	34,527
Fines	163,565
Grants	153,549
Donations	22,997
Insurance	39,833
Other	5,308
Reimbursements	44,258
TOTAL REVENUES	<u>753,956</u>
EXPENDITURES	
General & Administrative	347,799
Police Expense	251,916
Fire	48,850
Street & Sanitation	102,052
Town Planner	31,696
Dixie Center	12,153
Debt Service	19,267
Capital Outlay	74,671
TOTAL EXPENDITURES	<u>888,404</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)	
EXPENDITURES	<u>(134,448)</u>
OTHER FINANCING SOURCES (USES):	
Transfers In/(Out)	<u>(15,324)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,324)</u>
NET CHANGE IN FUND BALANCE	(149,772)
FUND BALANCES--BEGINNING	341,657
FUND BALANCES--ENDING	<u>\$ 191,885</u>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Reconciliation of The Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances, Total governmental Funds, Statement E	\$ (149,772)
Governmental funds report capital outlays as expenditure. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	74,671
The issuance of long-term debt (bonds, leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	15,054
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(105,453)</u>
Changes in Net Assets of Governmental Activities, Statement B	<u>\$ (165,500)</u>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Statement of Net Assets, Proprietary Funds
June 30, 2005

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS (Major Enterprise Funds) Water and Sewer Fund
ASSETS	
CURRENT ASSETS	
Cash & Cash Equivalents	\$ 29,974
Investments	53,277
Receivables (Net of Allowances for Uncollectable)	41,747
Due From Other Funds	-0-
TOTAL CURRENT ASSETS	<u>124,998</u>
NON-CURRENT ASSETS	
Restricted Assets	256,036
Capital Assets (Net of Accumulated Depreciation)	<u>1,385,817</u>
TOTAL NON-CURRENT ASSETS	<u>1,641,853</u>
TOTAL ASSETS	<u>1,766,851</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts, Salaries, & Other Payables	4,478
Due to Other Funds	-0-
Matured Bonds & Interest Payable	-0-
TOTAL CURRENT LIABILITIES	<u>4,478</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:	
Customer Deposits	39,021
Accrued Interest Payable	28,989
Revenue Bonds Payable	21,030
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	<u>89,040</u>
NON CURRENT LIABILITIES	
Revenue Bonds	619,480
Notes Payable	-0-
TOTAL NON CURRENT LIABILITIES	<u>619,480</u>
TOTAL LIABILITIES	<u>712,998</u>
NET ASSETS	
Invested in Capital Assets Net of Related Debt	745,307
Restricted for Debt Service	214,240
Unrestricted	94,306
TOTAL NET ASSETS	<u>\$ 1,053,853</u>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
June 30, 2005

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS (Major Enterprise Funds) Total Enterprise Funds</u>
OPERATING REVENUES	
Water Sales	\$ 200,211
Sewer Charges	77,493
Sales Tax	153,080
Other	11,664
TOTAL OPERATING REVENUES	<u>442,448</u>
OPERATING EXPENSES	
Operating/Administrative Water	228,456
Operating/Administrative Sewer	179,045
Depreciation	97,756
TOTAL OPERATING EXPENSES	<u>505,257</u>
OPERATING INCOME (LOSS)	<u>(62,809)</u>
NONOPERATING REVENUE (EXPENSES)	
Interest Earnings	5,200
Interest Expense	(35,191)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(29,991)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(92,800)</u>
Transfers In/(Out)	<u>15,324</u>
CHANGE IN NET ASSETS	<u>(77,476)</u>
TOTAL NET ASSETS - BEGINNING	1,131,329
TOTAL NET ASSETS - ENDING	<u>\$ 1,053,853</u>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Statement of Cash Flows
Proprietary Funds
June 30, 2005

	<u>ENTERPRISE FUND</u>
	<u>Water and Sewer Fund</u>
Cash Flows From Operating Activities	
Receipts From Customers, Users, & Taxes	\$ 424,043
Receipts From Other Revenue	11,664
Payments to Suppliers	(252,938)
Payments to Employees	(163,480)
Net Cash Provided by Operating Activities	<u>19,289</u>
Cash Flows From NonCapital Financing Activities	
Income From Grants	-0-
Transfers to Other Funds	15,324
Net Cash Provided (used) by NonCapital Financing Activities	<u>15,324</u>
Cash Flows From Capital and Related Financing Activities	
Principal Paid on Capital Debt	(24,134)
Interest Paid on Capital Debt	(36,125)
Acquisition & Construction of Capital Assets	(27,343)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(87,602)</u>
Cash Flows From Investing Activities	
Decrease in Restricted Assets	87,833
Proceeds From Sales & Maturities of Investments	(20,000)
Interest & Dividends Received	5,200
Net Cash Provided (Used) by Investing Activities	<u>73,033</u>
Net Increase (Decrease) in Cash & Cash Equivalents	<u>20,044</u>
Cash - Beginning of Year	<u>9,930</u>
Cash - End of Year	<u>29,974</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income/(Loss)	<u>(62,809)</u>
Depreciation Expense	97,756
(Increase) Decrease in Accounts Receivable	(6,741)
Increase (Decrease) in Accounts Payables	(8,917)
Total Adjustments	<u>82,098</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 19,289</u>

The accompanying notes are an integral part of this statement.

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Olla was incorporated under the provisions of the Lawrason Act. The Town operates under the Mayor-Board of Alderman form of government. The Town provides the following significant services to its residents as provided by its charter: public safety (police and fire), highways and streets, utilities (water, gas and sewer services) and general administrative functions, including coordination of related services with parish, state and federal governing bodies.

The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The accounting and reporting policies of the Town of Olla conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

Reporting Entity

The Town is governed by an elected mayor and five-member council. As required by generally accepted accounting principles, these financial statements present the Town (the primary government) and its component units, entities for which the government is considered to be financially accountable.

Component units are organizations for which the Town is financially accountable and all other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the Town appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Town. The Town may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the Town. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government.

The financial statements of the following component units have been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the Town, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the Town.

The Cemetery Board

The Cemetery Board was created to manage and maintain the Olla Cemetery. The board members are appointed by the Town of Olla, Louisiana and utilize the Town's facilities and assets. Therefore, the Cemetery Fund is considered a component unit of the Town of Olla, Louisiana.

The following is a summary of certain significant accounting policies:

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

A. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meetings the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The municipality reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

The municipality reports the following major proprietary funds:

- Water and Sewer Fund

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges for services and sales taxes. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. FIXED ASSETS AND LONG-TERM LIABILITIES

For the year ended June 30, 2005, no interest costs were capitalized for construction of fixed assets.

Depreciation of all exhaustible fixed assets is charged as an expense against its operations. Accumulated depreciation is reported on the proprietary fund balance sheet and governmental fund statement of activities. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	<u>Life In Years</u>
Water System	40
Sewer System	40
Buildings	40
Equipment	5-10

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

D. BUDGETS AND BUDGETARY ACCOUNTING

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

- (1) The Town clerk prepares a proposed budget based on departmental group budget requests, and submits the same to the Mayor and Board of Aldermen for approval.
- (2) The Town does not utilize the budget in comparison form in financial statement presentation during the year.
- (3) All budgetary appropriations lapse at the end of the fiscal year.
- (4) The Town does not utilize encumbrance accounting.
- (5) The budget was amended during the year.

E. CASH AND INVESTMENTS

All cash and investments (CD's over 90 days) are reported at cost and are on deposit at federally insured banks.

It is the Town's policy for deposits to be 100% secured by collateral at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The Town's deposits are categorized to give an indication of the level of risk assumed by the Town at fiscal year-end. The categories are described as follows:

- *Category 1* – Insured or collateralized with securities held by the Town or by its agent in the Town's name.
- *Category 2* – Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- *Category 3* – Uncollateralized.

<u>Bank</u>	<u>Olla Bank Balance 6-30-2005</u>	<u>Component Unit Bank Balance 6-30-2005</u>
Southern Heritage Bank	\$ 465,192	\$ 202,746
Bank of Jena	48,724	-0-
Concordia Bank & Trust Co.	19,226	-0-
Total	<u>533,142</u>	<u>202,746</u>
<i>Amounts on deposit at the bank are secured by the following:</i>		
<u>Description</u>	<u>Market Value</u>	<u>Market Value</u>
FDIC (<i>Category 1</i>)	\$ 267,947	\$ 113,746
Securities Pledged (<i>Category 2</i>)	1,041,285	1,041,285

The Cemetery Board (Component Unit) holds the following investments:

	<u>Value At 6-30-2005</u>
50 Shares of First Energy	\$ 2,469
60 Shares of Pacific Gas	2,240
Total	<u>\$ 4,709</u>

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

F. INVENTORIES

Immaterial amounts of inventory are maintained for general fund and enterprise fund operations and, accordingly, these supplies are expensed as purchased.

G. ACCOUNTS RECEIVABLE AND BAD DEBTS – GENERAL FUND AND ALLOWANCE FOR BAD DEBTS – ENTERPRISE FUND

At June 30, 2005 no reserve for bad debts in the general fund was required since the estimated uncollectable receivables outstanding were considered immaterial.

	<u>Enterprise Fund</u>	<u>Governmental Fund</u>
	<u>Water and Sewer Fund</u>	<u>General Fund</u>
Tax & License	\$ -0-	\$ 6,334
Customer	43,173	10,776
Allowance for Bad Debts	(1,426)	-0-
Total	<u>\$ 41,747</u>	<u>\$ 17,110</u>

H. COMPENSATED ABSENCES

The Town has no compensated absence policy.

I. RESERVES

The Town records reserves to indicate that a portion of its retained earnings/fund balances is legally restricted for a specific future use. The following is a list of such reserves and a description of each:

Reserved for System Maintenance

This amount represents monies reserved for repairs and replacement of the water system.

Reserved - Revenue Bonds

This amount represents monies reserved as required by the revenue bond indentures.

Reserved for Debt Service

Certain assets have been reserved in the Debt Service Fund for future payment of long-term liabilities of the governmental funds.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

2. AD VALOREM TAXES

The Town levies taxes on real and business personal property located within its boundaries. The Town utilizes the services of the LaSalle Parish Tax Assessor to assess the property values and prepare the Town's property tax roll. The Town bills and collects its own property taxes.

Property Tax Calendar

Assessment Date	January 1
Levy Date	No Later Than June 1
Tax Bills Mailed	On or About October 15
Total Taxes Are Due	December 31
Penalties and Interest are Added	January 1
Lien Date	January 1

For the year ended June 30, 2005, taxes of 7.6 mills were levied against property having a valuation of some \$3,668,005, which produced some \$27,878 in revenue.

Ad Valorem Taxes are broken down as follows:

	<u>Mills</u>
General Alimony	7.60
Total	<u>7.60</u>

3. RESTRICTED ASSETS - PROPRIETARY FUND TYPES

At June 30, 2005, restricted assets of the Enterprise Funds were invested in either interest bearing checking accounts or time deposits and were restricted for the following purposes:

	<u>Water</u>	<u>Sewer</u>
Bond Sinking	\$ 28,953	\$ 73,777
Meter Deposit	41,796	-0-
Bond Reserve	-0-	45,216
Depreciation & Contingencies	22,871	43,423
Total	<u>\$ 93,620</u>	<u>\$ 162,416</u>

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

4. FIXED ASSETS

Property Enterprise Fund: Plant and Equipment

A summary of enterprise fund property, plant and equipment at June 30, 2005, is as follows:

	Balance 6-30-2004	Additions (Deletions)	Balance 6-30-2005	6-30-2005 Accumulated Depreciation
Buildings	\$ 26,816	\$ -0-	\$ 26,816	\$ 21,829
Water System	1,159,977	-0-	1,159,977	599,231
Sewer System	1,822,673	-0-	1,822,673	1,011,612
Trucks, Machinery & Equipment	320,819	27,343	348,162	339,139
Sub-Total	3,330,285	27,343	3,357,628	1,971,811
Accumulated Depreciation	(1,874,055)	(97,756)	(1,971,811)	-0-
Net	\$ 1,456,230	\$ (70,413)	\$ 1,385,817	\$ 1,971,811

Enterprise fund assets are depreciated on the straight-line basis using the following useful lives:

Sewer Plant	40 Years
Water Plant	40 Years
Equipment	5-10 Years

Governmental Fund:

A summary of governmental fund assets at June 30, 2005, is as follows:

	Balance 6-30-2004	Additions	Deletions	Balance 6-30-2005
Land	\$ 222,788	\$ -0-	\$ -0-	\$ 222,788
Buildings	425,779	-0-	-0-	425,779
Improvements	56,463	-0-	-0-	56,463
Equipment	854,523	74,670	-0-	929,193
Total	1,559,553	74,670	-0-	1,634,223
Accumulated Depreciation	666,356	\$ 105,453	\$ -0-	771,809
Net	\$ 893,197			\$ 862,414

Government fund assets are depreciated on the straight-line basis using the following useful lives:

Equipment	5-10 Years
Buildings	40 Years

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

5. CHANGES IN LONG-TERM DEBT

The following is a summary of bond and installment notes payable transactions of the Town of Olla for the year ended June 30, 2005.

	Balance 6-30-2004	Additions	Reductions	Balance 6-30-2005
Revenue Bonds & Notes	\$ 664,642	\$ -0-	\$ (24,132)	\$ 640,510
General Obligation Debt	104,893	-0-	(16,278)	88,615
Total	\$ 769,535	\$ -0-	\$ (40,410)	\$ 729,125

Bonds and installment notes payable at June 30, 2005 are comprised of the following individual issues:

Revenue Bonds (Enterprise Fund)

\$275,000 Water Revenue Bonds dated 12-4-79; due in annual installments of \$5,000 to \$5,000 through December 4, 2019; interest at 5 percent. \$ 137,000

\$200,000 Sewer Revenue Bonds dated 8-14-81; due in annual installments of \$2,000 to \$9,000 through August 14, 2021; interest at 5 percent. 127,066

\$500,000 Sewer Revenue Bonds dated 9-6-89; due in annual installments of \$33,450 through August 14, 2029; interest at 6 percent. 311,988

\$132,800 Sewer Revenue Bonds dated 9-6-89 through August 14, 2009 at 6% interest 64,456

General Obligation Note

\$114,800 lease purchase agreement with Government Capital Corporation for the purpose of procuring a 2003 American LaFrance Pumper dated 2/3/03; Due in annual installments of \$19,267 through September 01/09; interest at 4% 88,615

Total **\$ 729,125**

The annual requirements to amortize all debt outstanding as of June 30, 2005, including interest payments, are as follows:

Year Ending June 30,	Water Revenue Bonds	Sewer Revenue Bonds	Sewer Notes Payable	Fire Dept. Notes Payable	Total
2006	15,000	42,450	-0-	19,267	76,717
2007	15,000	42,450	-0-	19,267	76,717
2008	15,000	42,450	-0-	19,267	76,717
2009	15,000	42,450	-0-	19,267	76,717
2010	15,000	42,450	-0-	19,267	76,717
2011-2015	75,000	212,250	-0-	-0-	287,250
2016-2020	60,000	212,250	-0-	-0-	272,250
2021-2025	-0-	212,250	-0-	-0-	212,250
2026-2030	-0-	106,800	-0-	-0-	106,800
Total	\$ 210,000	\$ 955,800	\$ -0-	\$ 96,335	\$ 1,262,135

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Under the terms of the bond indenture on outstanding Water Revenue Bonds dated December 4, 1979, earnings of the waterworks system are to be maintained separately and used for the following purposes:

- (a) Payment of all reasonable and necessary expenses of operating and maintaining the system.
- (b) Each month there will be set aside into a fund called the "Waterworks Revenue Bond and Interest Sinking Fund" an amount constituting 1/12 of the next principal and interest payment.
- (c) Each month, there will be set aside into a "Waterworks Reserve Fund" 5% of the amount paid into the Sinking Fund until such time as there has been accumulated there in the sum of \$18,750. These funds may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not available in the Sinking Fund. As of June 30, 2005 the Town of Olla had set aside the maximum required amount into this "Waterworks Reserve Fund".
- (d) There will also be set aside into a "Waterworks Depreciation and Contingency Fund" \$63 per month. These funds will be used to care for depreciation, extensions, additions, improvements and replacements necessary to operate the system properly, and to pay interest and principal on bonds when there is not sufficient money in the Sinking or Reserve Fund.
- (e) All of the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus and may be used for any lawful purpose.

Under the terms of the bond indenture on outstanding Sewer Revenue Bonds dated August 14, 1981, and those dated September 6, 1989, earnings of the Sewer system are to be maintained separately and used for the following purposes:

- (a) Payment of all reasonable and necessary expenses of operating and maintaining the system.
- (b) Each month, there will be set aside into a fund called the "Sinking Fund" an amount constituting 1/12 of the next principal and interest payment.
- (c) Each month, there will be set aside into a "Sewer Reserve Fund" 5% of the amount paid into the Sinking Fund until such time as there has been accumulated there in the sum of \$45,900. These funds may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not available in the Sinking Fund. As of June 30, 2005 the Town of Olla had set aside the amount of \$45,216 into this "Sewer Reserve Fund".
- (d) There will also be set aside into a "Sewer Depreciation and Contingency Fund" \$188 per month. These funds will be used to care for depreciation, extensions, additions, improvements and replacements necessary to operate the system properly, and to pay interest and principal on bonds when there is not sufficient money in the Sinking or Reserve Funds. When the Revenue Bonds dated August 14, 1991 are paid in full the monthly payment may be reduced to \$144.
- (e) All of the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus and may be used for any lawful purpose.

At June 30, 2005 the Enterprise Fund Retained Earnings were reserved for the purposes noted above as follows:

Revenue Bond Reserve Fund	\$ 102,730
Depreciation And Contingencies Fund	66,294
Total	<u>\$ 169,024</u>

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

6. PENSION PLAN

Substantially all employees of the Town of Olla are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana, or Firefighters' Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustee. Pertinent information relative to each plan follows:

A. Municipal Employees Retirement System of Louisiana (System)

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. [All employees of the municipality are members of (Plan A) (Plan B)]. [or Some employees of the municipality are members of Plan A and some are members of Plan B.]

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. [Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or after any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. [Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final-average salary.] Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504)925-4810.

Funding Policy. [Under Plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary and the Town of Olla is required to contribute at an actuarially determined rate. The current rate is 4.5 percent of annual covered payroll]. [Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Town of Olla is required to contribute at an actuarially determined rate. The current rate is 3.75 percent of annual covered payroll.] Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Olla are established and may be amended by

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Olla's contributions to the System under Plan B for the years ending June 30, 2005 and 2004 were \$10,882 and \$10,381 respectively, equal to the required contributions for each year.

B. Municipal Police Employees Retirement System of Louisiana

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service are at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (504)929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town of Olla is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered payroll. The contribution requirements of plan members and the Town of Olla are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Olla's contributions to the System under for the years ending June 30, 2005 and 2004 were \$12,636 and \$12,129, equal to the required contributions for each year.

7. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. ENCUMBRANCES

The Town does not utilize encumbrance accounting.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

9. ELECTED OFFICIALS SALARIES

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>	<u>Date Of Service</u>
Benard Miller	Mayor	\$ 18,512	7/1/2004 – 06/30/2005
Wanda Love	Councilwoman	1,200	7/1/2004 – 06/30/2005
Carriecce Duke	Councilwoman	600	7/1/2004 – 06/30/2005
B.G. "Ben" McCrory	Councilman	600	7/1/2004 – 06/30/2005
Roy Masters	Councilman	600	7/1/2004 – 06/30/2005
Sidney Emfinger	Councilman	600	7/1/2004 – 06/30/2005
Gary Taylor	Police Chief	36,243	7/1/2004 – 06/30/2005

10. CONTINGENCIES

The Town was informed by letter on September 15, 1997 by the Louisiana Department of Environmental Quality that the Town is in violation of portions of the Louisiana Environmental Quality Act (La. R.S. 30:2001) as it related to the operation and maintenance of the Town's sewer system.

11. INSURANCE EXPIRATION DATES

<u>Type</u>	<u>Company</u>	<u>Date Of Expiration</u>
Property	Troy & Montgomery	7/1/2005
General Liability	Troy & Montgomery	7/1/2005
Business Auto	Troy & Montgomery	7/1/2005
Fidelity Bond	Troy & Montgomery	7/1/2005
Workers Compensation	La Municipal Risk Mgt. Agency	1/1/2006

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

12. RATES

The Town of Olla Enterprise Fund has the following rates. The deposit amounts are listed below:

Renter	\$	75.00
Owner		50.00

Rate Schedule:

Water	ICL - \$7.50 for the 1 st 3,000 gal., 2.75 per 1,000 thereafter OCL - \$10.00 for the 1 st 3,000 gal., 3.75 per 1,000 thereafter
Pleasant Ridge	\$2.00 per 1,000 gal., no minimum
Bulk Water Rates	\$5.00 per 1,000 gal.
Sewer	Residential \$7.50 for 1 st 3,000 gal., \$.75 per 1,000 thereafter Commercial \$15.00 for 1 st 10,000 gal., \$.75 per 1,000 thereafter
Fire	Residential - \$3.50 per location Commercial - \$10.00 per location
Garbage	Residential \$10.00 per household or unit Commercial \$15.00 & up based on the amount of garbage & amount of time for collection
Water & Sewer Taps ICL	\$100.00
Water & Sewer Taps OCL	\$350.00

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF OLLA, LOUISIANA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2005

	Budget Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (Under)
	Original	Final		
REVENUES				
Fees & Charges	\$ 262,050	\$ 275,187	\$ 289,919	\$ 14,732
Taxes	35,300	34,128	34,527	399
Fines	200,000	159,563	163,565	4,002
Grants	25,000	51,733	153,549	101,816
Donations	8,300	23,274	22,997	(277)
Insurance	40,100	38,437	39,833	1,396
Other	7,750	5,333	5,308	(25)
Reimbursements	4,500	23,772	44,258	20,486
TOTAL REVENUES	<u>583,000</u>	<u>611,427</u>	<u>753,956</u>	<u>142,529</u>
EXPENDITURES				
General & Administrative	160,165	284,305	347,799	(63,494)
Police Expense	239,440	250,988	251,916	(928)
Fire	50,760	45,357	48,850	(3,493)
Street & Sanitation	99,350	100,202	102,052	(1,850)
Town Planner	62,000	31,684	31,696	(12)
Dixie Center	12,015	13,358	12,153	1,205
Capital Outlay	40,000	80,550	74,671	5,879
Debt Service	19,270	19,269	19,267	2
TOTAL EXPENDITURES	<u>683,000</u>	<u>825,713</u>	<u>888,404</u>	<u>(62,691)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(100,000)	(214,286)	(134,448)	79,838
OTHER FINANCING SOURCES (USES)				
Transfers In/(Out)	<u>-0-</u>	<u>-0-</u>	<u>(15,324)</u>	<u>(15,324)</u>
NET CHANGE IN FUND BALANCE	(100,000)	(214,286)	(149,772)	64,514
FUND BALANCE - BEGINNING OF YEAR	<u>300,253</u>	<u>355,659</u>	<u>341,657</u>	<u>(14,002)</u>
FUND BALANCE - END OF YEAR	<u>\$ 200,253</u>	<u>\$ 141,373</u>	<u>\$ 191,885</u>	<u>\$ 50,512</u>

The accompanying notes are an integral part of this statement.

OTHER REPORTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Bernard Miller, Mayor
and Members of the Town Council
Olla, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of Town of Olla, Louisiana, as of and for the year ended June 30, 2005 which collectively comprise the Town of Olla, Louisiana's basic financial statements and have issued my report thereon dated November 15, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Olla, Louisiana's, financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standard*, which are described in the accompanying schedule of findings and questioned costs.

2005- C-1 Budget Variances

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Olla, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this document is public record and its distribution is not limited.

John R. Vercher

November 15, 2005
Jena, Louisiana

TOWN OF OLLA, LOUISIANA

**SCHEDULE OF FINDINGS AND QUESTIONED COST
For the Year Ended June 30, 2005**

I was engaged to audit the general purpose financial statements of the Town of Olla, Louisiana, as of and for the year ended June 30, 2005 and have issued my report thereon dated November 15, 2005. I conducted my audit in accordance with generally accepted auditing standards and the standards in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of June 30, 2005 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☐ Yes ☒ No Reportable Conditions ☐ Yes ☒ No

Compliance

Compliance Material to Financial Statements ☒ Yes ☐ No

b. Federal Awards (Not Applicable)

Internal Control

Material Weaknesses ☐ Yes ☐ No Reportable Conditions ☐ Yes ☐ No

Type of Opinion On Compliance Unqualified ☐ Qualified ☐
For Major Programs Disclaimer ☐ Adverse ☐

Are the finding required to be reported in accordance with Circular A-133, Section .510(a)?

☐ Yes ☐ No

c. Identification Of Major Programs:

CFDA Number (s)	Name Of Federal Program (or Cluster)
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Dollar threshold used to distinguish between Type A and Type B Programs: \$

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? ☐ Yes ☐ No

TOWN OF OLLA, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COST – (CONT.)

For the Year Ended June 30, 2005

Section II Financial Statement Findings Required To Be Reported In Accordance With GAGAS

Reference	Description of Finding	Recommendation
2005-C-1	<u>Budget Variances</u> The Town had an unfavorable expenditure variance of \$62,691 or 7.5% in its general fund during the year. The Budget Act requires that budgets be amended when the variance exceeds 5%.	The budget should be amended when there is an unfavorable variance of more than 5%.

Section III – Internal Control

No items to report.

Section IV Federal Awards Findings and Questioned Costs.

Not applicable.

TOWN OF OLLA, LOUISIANA

MANAGEMENT'S CORRECTIVE ACTION FOR CURRENT YEAR AUDIT FINDINGS

	DESCRIPTION OF FINDING	CORRECTIVE ACTION PLANNED	CONTACT PERSON	ANTICIPATED COMPLETION DATE
<i>2005-C-1</i>	Budget Variances	The Town will begin amending its budget when variances exceed 5%.	Mayor Bernard Miller	June 30, 2006

TOWN OF OLLA, LOUISIANA

MANAGEMENT LETTER COMMENTS

During the course of my audit, I observed conditions and circumstances that may be improved. Below are situations that may be improved (if any) and recommendations for improvements.

CURRENT YEAR MANAGEMENT LETTER COMMENTS

There are no current year management letter comments.

TOWN OF OLLA, LOUISIANA

MANAGEMENT'S SUMMARY OF PRIOR YEAR FINDINGS

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana 70804-9397

The management of the Town of Olla, Louisiana has provided the following action summaries relating to audit findings brought to their attention as a result of their financial audit for the year ended June 30, 2004.

Prior Year Findings

There were no prior year findings.